

Message Text

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ACTION NEA-10

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TAGS: PGOV, PK,CPAS, CRPS,

SUBJECT: NATIONALIZATION: EFFECT ON TWO US SHAREHOLDERS

REFERENCE: A. ISLAMABAD 7483, B. ISLAMABAD 7522., C. ISLAMABAD
7538

1. THE NATIONALIZATION OF 2,200 COTTON-GINNING-, RICE-
HUSKING AND WHEAT FLOUR MILLS HAS AFFECTED TWO KNOWN
AMERICAN SHAREHOLDERS IN THE TAKEN-OVER MILLS: MRS.
MAXINE MOHAMMAD., AND DR. RAFIQ JAN.

2. CASE OF MRS. MAXINE MOHAMMAD: THIS AMERICAN LADY
RESIDES AT RAHIMYAR KHAN,PUNJAB, AND IS THE WIFE OF A
PAKISTANI, MR. SARDAR MOHAMMAD. SHE AND HER HUSBAND
MOVED FROM SACRAMENTO TO PAKISTAN IN 1972, BRINGING WITH
THEM DOLS 100,000, CONSISTING APPARENTLY OF THEIR ENTIRE SAVINGS
DERIVED LARGELY FROM THE SALE OF THEIR INTERESTS IN TWO
SACRAMENTO FILLING STATIONS. THE DOLS100,000 WAS
JOINTLY OWNED AND PRIOR TO TRANSFER WAS HELD IN BANK
OF AMERICAN JOINT BANK ACCOUNT. UNFORTUNATELY, THIS
CAPITAL WAS BROUGHT INTO PAKISTAN UNDER NAME OF THE
PAKISTANI HUSBAND, PRESUMABLY TO TAKE ADVANTAGE OF THE
FAVORABLE EXCHANGE RATE OFFERED UNDER THE THEN GOP
BONUS REMITTANCE SCHEME. ONCE THE MONEY WAS TRANSFERRED,
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IT WAS AGAIN PUT INTO A JOINT BANK ACCOUNT ESTABLISHED

HERE IN PAKISTAN.

3. IN 1972, THE MOHAMMADS INVESTED THE EQUIVALENT OF DOLS 40,000 OF THESE TRANSFERRED FUNDS IN A JOINT VENTURE WITH OTHER PAKISTANI SHAREHOLDERS ESTABLISHING A COTTON-GIN AND VEGOIL FACTORY TITLED THE MODERN COTTON GINNING PRESSING AND SEED OIL FACTORY, LTD. LOCATED IN RAHIMYAR KHAN. OVER THE NEXT SIX MONTHS OR SO, THE MOHAMMADS INVESTED ADDITIONAL SUMS IN THE VENTURE, BRINGING THEIR TOTAL INVESTMENT TO ABOUT THE EQUIVALENT OF DOLS 70,000. BY THE END OF THESE SUCCESSIVE INVESTMENTS, THE SHARES REGISTERED UNDER THE NAME OF MRS. MAXINE MOHAMMAD COMPRISED 52 PERCENT OF THE TOTAL. ONLY JULY 17, 1976, THE COTTON-GINNING PART OF THE FACTORY WAS NATIONALIZED.

4. ON JULY 29, SECRETARY OF MINISTRY OF AGRARIAN MANAGEMENT, ALLAUDDIN AHMAD, TOLD ECONCOUNS THAT HE WAS SYMPATHETIC WITH THEIR PERSONAL PLIGHT BUT THE GOVERNMENT WOULD PROBABLY HAVE TO TREAT MRS. MOHAMMAD IN THE SAME CATEGORY AS AFFECTED PAKISTANI SHAREHOLDERS SINCE HER CAPITAL WAS NOT BROUGHT IN OR LEGALLY RECOGNIZED AS A GOP-APPROVED FOREIGN INVESTMENT. HE WENT ON TO SAY THAT THE FACT SARDAR MOHAMMAD TRANSFERRED THE FUNDS TO PAKISTAN UNDER HIS NAME, OSTENSIBLY TO TAKE ADVANTAGE OF THE FAVORABLE EXCHANGE RATE AVAILABLE UNDER THE BONUS REMITTANCE SCHEME, DID NOT HELP HER CASE. FURTHERMORE, THE COTTONGINNING SECTOR WAS ONE CLOSED TO NEW FOREIGN INVESTMENT AND HAD MRS. MAXINE MOHAMMAD MADE FORMAL APPLICATION IN 1972 TO INVEST IN THE SECTOR, AS A FOREIGN INVESTOR, IT WOULD HAVE BEEN DENIED. LASTLY, THE SECRETARY SAID THAT FOR FOREIGNERS TO OWN PAKISTAN SHARES REQUIRES GOP APPROVAL. MRS. MOHAMMAD DID NOT RECEIVE SUCH APPROVAL WHEN THEIR MILL WAS INCORPORATED.

5. MR. AND MRS. MOHAMMAD HAVE NOW BEEN IN ISLAMABAD FOR A WEEK PRESSING THEIR CASE WITH GOVERNMENT OFFICIALS AND THE EMBASSY, THEY HAVE SEEN AGRARIAN MANAGEMENT MINISTER QAIM ALI SHAH AND FINANCE MINISTER MOHAMMAD HANIF. THE STATUS OF THEIR CASE AT PRESENT IS THAT IT HAS BEEN FORWARDED BY THE AGRARIAN MANAGEMENT MINISTRY

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TO THE LAW MINISTRY FOR A RULING. MEANWHILE, THE MOHAMMADS ARE TRYING VERY HARD TO GET THE GOVERNMENT TO VIEW THEIR CASE IN SOME FAVORABLE FASHION.

6. THE MOHAMMAD CASE IS PARTICULARLY UNFORTUNATE SINCE MRS. MAXINE MOHAMMAD, A WIDOW WHEN SHE MARRIED MR. MOHAMMAD EIGHT YEARS -AGO, HAD APPARENTLY INVESTED HER ENTIRE SAVINGS IN THE GINNING VENTURE.

7. THE EMBASSY HAS TALKED WITH THE FOREIGN MINISTRY AND AGRARIAN MANAGEMENT MINISTRY ABOUT HER CASE AND SUPPLEMENTED THIS WITH A DIP NOTE. THE AMBASSADOR HAS MET THEM AND THEY HAVE BEEN TALKING WITH OR SEEING ECON/COUNS DAILY.

8. CASE OF DR. RAFIQ JAN: EMBASSY HAS LESS INFORMATION ON THIS CASE. DR.M. RAFIQ JAN RESIDES AT 561 NORTH BROADWAY, YONKERS, N.Y. 10701. HE CABLED AND SENT EMBASSY A LETTER REPORTING THAT HE OWNS 41 PERCENT OF GUL FLOUR AND GENERAL MILLS IN HANGU, NORTH WEST FRONTIER PROVINCE.

9. THE AGRARIAN MANAGEMENT MINISTRY INFORMS EMBASSY THAT THEY HAVE NO KNOWLEDGE OF DR. JAN'S INVESTMENT AND THAT IT DOES NOT APPEAR TO HAVE BEEN REGISTERED AS AN APPROVED FOREIGN INVESTMENT. SINCE EMBASSY INFORMATION (DERIVED FROM SECONDARY SOURCES) IS THAT DR. JAN IMMIGRATED FROM PAKISTAN TO THE US ABOUT 20 YEARS AGO, IT IS NOT CLEAR WHETHER THE INVESTMENT HE MADE OCCURRED BEFORE THE MOVE OR, IF DONE LATER, WHETHER THIS WAS ANOTHER INSTANCE OF A REMITTANCE RATHER THAN A GOP- APPROVED FOREIGN CAPITAL INVESTMENT. EMBASSY IS CORRESPONDING WITH DR. JAN INFORMING HIM OF THE PROCEDURE HE SHOULD FOLLOW IN PRESENTING HIS CLAIM TO THE GOVERNMENT.
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